

Questions from Rep. Black

- 1. Mr. Secretary, in your written testimony you said, “Our deficits are too high and they are unsustainable. Left unaddressed, these deficits will hurt economic growth and make us a weaker nation. We must go back to living within our means.” I couldn’t agree with you more. According to the President’s Budget Proposal, the Federal Government will run a deficit every year for at least the next ten years. Why is that your goal, to still be at a deficit, not a balanced budget, and not growing our economy to the point where we can start paying down our debt in ten years? What spending cuts should Congress consider to get us closer to a balanced budget in ten years? Please be as specific and detailed as possible in your reply.**

The President presented a responsible budget that shows how we can live within our means and invest in the future. It makes tough choices to cut spending and reduce the deficit, including a five-year non-security discretionary freeze. This proposal alone will save more than \$400 billion over the next 10 years and reduce non-security discretionary spending to its lowest level as a share of the economy since President Eisenhower. This proposed spending freeze, along with other measures outlined in the Budget, will reduce the deficit by more than \$1 trillion, putting us on a path to fiscal sustainability.

Moreover, the FY2012 Budget proposal will stabilize debt held by the public as a share of GDP in the 76 to 77 percent range at the end of the forecast horizon, from FY2015 to FY2021. The primary balance (deficit excluding interest payments) is projected to show a slight surplus after 2017. Reducing the deficit and stabilizing the debt-to-GDP ratio over the medium term is an important first step towards long-term fiscal sustainability. It is a significant start, but more needs to be done

Over the long term, we face unsustainably expensive mandatory spending commitments. The Administration recognizes that the only way to effectively control the growth of all non-discretionary outlays is to develop bipartisan consensus within a multi-year framework that sets and constrains spending growth to long-term objectives. Committing to a multi-year deficit reduction plan would give businesses and individuals more certainty about the impact of future government policy. This would improve confidence today and help keep borrowing rates low. It would also give businesses and individuals adequate time to adjust and prepare for future changes.

To summarize, the FY2012 Budget is only a first step towards restoring fiscal sustainability. Longer term, spending discipline on all outlay items—not just non-security discretionary spending—is needed to ensure that we live within our means. We look forward to working with our Congressional colleagues to develop a multi-year plan to cut spending and lower the deficit.